

KINGMAN AIRPORT AUTHORITY, INC.

ANNUAL FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 1996

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the accompanying general-purpose financial statements of the Kingman Airport Authority, Inc. (Authority), as of and for the year ended June 30, 1996, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kingman Airport Authority, Inc. as of June 30, 1996, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The schedule listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose statements taken as a whole.

dated October 11, 1996 on its compliance with laws and regulations.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 11, 1996

General-Purpose Financial Statements

Enterprise Fund

ASSETS

Cash and investments	\$	282,713
Restricted assets		91,976
Accounts receivable		28,543
Intergovernmental receivable		331,990
Prepaid items		12,734
Deposits		918
Fixed assets (net of accumulated depreciation)		5,193,001
Intangible assets (net of accumulated amortization)		49,657
		<hr/>
TOTAL ASSETS	\$	5,991,532
		<hr/>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$	388,140
Notes payable		189,721
		<hr/>
TOTAL LIABILITIES		577,861
		<hr/>

FUND EQUITY

Contributed capital		5,130,934
Retained Earnings		
Reserved for ADOT loan		91,976
Unreserved		190,761
		<hr/>
TOTAL FUND EQUITY		5,413,671
		<hr/>

TOTAL LIABILITIES AND FUND EQUITY	\$	5,991,532
		<hr/>

The accompanying notes to financial statements are an integral part of this statement.

	Enterprise Fund
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OPERATING REVENUES	
Leases	\$ 277,575
<hr/>	
Total operating revenues	277,575
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OPERATING EXPENSES	
Personnel	223,975
Payroll taxes and benefits	64,468
Office expense	14,662
Professional services	17,723
Maintenance and repairs	30,477
Motor pool	11,375
Operational expense	115,907
Depreciation	233,061
Amortization	4,930
<hr/>	
Total operating expenses	716,578
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Operating income (loss)	(439,003)
<hr/>	
NONOPERATING REVENUES (EXPENSES)	
Contributions and donations	41,316
Interest revenue	8,922
Goodyear settlement	27,784
Application fees	6,500
Land sales	386,300
Miscellaneous revenues	6,909
Interest expense	(16,833)
Contingencies	(4,619)
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Total Nonoperating revenues (expenses)	456,279
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Net Income	17,276
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Retained Earnings, beginning of year	265,461
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Retained Earnings, end of year	\$ 282,737
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The accompanying notes to financial statements are an integral part of this statement.

Enterprise Fund

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Contributions and donations	\$ -	\$ 41,316	\$ 41,316
Interest revenue	-	8,922	8,922
Goodyear settlement	-	27,784	27,784
Leases	256,032	277,575	21,543
Application fees	8,000	6,500	(1,500)
Land sales	345,000	386,300	41,300
Miscellaneous revenues	86,500	6,909	(79,591)
Intergovernmental grants	-	961,189	961,189
TOTAL REVENUES	695,532	1,716,495	1,020,963
EXPENSES			
Personnel	236,870	223,975	12,895
Payroll taxes and benefits	62,375	64,468	(2,093)
Office expense	13,300	14,662	(1,362)
Professional services	26,000	17,723	8,277
Maintenance and repairs	18,500	30,477	(11,977)
Motor pool	9,900	11,375	(1,475)
Operational expense	114,000	115,907	(1,907)
Debt service	119,946	155,429	(35,483)
Capital outlay	170,200	1,105,577	(935,377)
Contingencies	91,882	4,619	87,263
TOTAL EXPENSES	862,973	1,744,212	(881,239)
Excess (deficiency) of revenues over expenses	(167,441)	(27,717)	139,724

The accompanying notes to financial statements are an integral part of this statement.

Enterprise

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:	
Cash received from customers	\$ 490,992
Cash payments to employees for services	(288,443)
Cash payments to suppliers for goods/services	183,336
Nonoperating revenues	54,725
Contingency expense	(4,619)
Land sales	386,300
Net cash provided by operating activities	822,291
Cash flows from non-capital financing activities:	
Cash paid to City of Kingman for short-term loan	(25,000)
Net cash used for non-capital financing activities	(25,000)
Cash flows from capital and related financing activities:	
Acquisitions of capital assets	(1,105,577)
Principal paid on capital leases	(6,128)
Principal paid on notes payable	(107,468)
Interest paid on capital leases and notes payable	(16,833)
Capital grants received	629,199
Settlement of disputed note	27,784
Net cash provided (used) for capital and related financing activities	(579,023)
Cash flows from investing activities:	
Interest	8,922
Net cash provided by investing activities	8,922
Net increase in cash and cash equivalents	227,190
Cash and cash equivalents at beginning of year	147,499
Cash and cash equivalents at end of year	\$ 374,689

(Continued)

Enterprise

(Concluded)

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET

Cash and investments	\$	282,713
Restricted assets		91,976
Total	\$	374,689

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$	(439,003)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		237,991
Land sales		386,300
Nonoperating revenues		54,725
Contingency expenses		(4,619)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable		(24,583)
Decrease in due from escrow agent		238,000
Decrease (increase) in prepaid expenses		(303)
Increase in accounts payable		373,783
Net cash provided by operating activities	\$	822,291

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Authority received donated assets totalling \$12,510 during the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kingman Airport Authority, Inc. was incorporated in the State of Arizona in July 1992 as a nonprofit corporation. The Authority operates, maintains, and manages the Kingman Airport and Industrial Park for the City of Kingman. The Authority is administered by the board of directors who are elected by the membership of the Authority.

The Kingman Airport Authority, Inc. was formed by transferring the assets and liabilities of the Mohave County Airport Authority, Inc., which related to the Kingman Airport and Industrial Park, to the Kingman Airport Authority, Inc. The Authority leases the real property, on which the airport and industrial park is located, from the City of Kingman under a long term lease. Primary sources of funding for the authority are rents from subleasing real property, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the Authority include management, maintenance, and development of the Kingman Airport and the Kingman Airport Industrial Park. The Authority is considered to be a political subdivision of the State of Arizona, Mohave County and the City of Kingman with the responsibility of carrying out the function of airport management.

The financial statements of the Kingman Airport Authority, Inc. (Authority) conform to generally accepted accounting principles as applicable to governmental units. The more significant of the Authority's accounting policies are described below.

Reporting Entity - In evaluating how to define the Authority, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in generally accepted accounting principles. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Authority) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Authority's reporting entity, none have been included in the Authority's reporting entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Accounting - The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad categories as follows:

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on their balance sheets. The measurement focus is upon the determination of net income, financial position and changes in financial position.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

Budgetary Accounting - The authority adopts an annual nonappropriated budget as a management control device. The budget is prepared on the modified accrual basis, which is a different basis of accounting than is used to present the financial statements. (See note 11 for reconciliation.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

Cash Equivalents - Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investment with original maturities of three months or less meet this definition.

Restricted Assets - Certain proceeds of the Authority's ADOT loan, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable loan covenants.

Property, Plant and Equipment - Property, plant and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant and equipment is recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized was calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

NOTE 2 - CASH AND INVESTMENTS

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool.

The Authority's deposits as of June 30, 1996 were entirely insured or collateralized with securities held by the Authority's custodial bank in the Authority's name.

The Authority's investments consisted of amounts deposited in interest bearing bank accounts.

NOTE 3 - RESTRICTED ASSETS

Restricted assets consist of the following:

NOTE 4 - PROPRIETARY FUND FIXED ASSETS

The following is a summary of proprietary fund fixed assets at June 30, 1996:

Land and improvements	
Airport	\$ 3,271,508
Industrial park	1,815,827
Buildings and improvements	
Airport	684,385
Industrial park	106,197
Furniture, machinery and equipment	146,314
Construction in progress	906,539
Less: accumulated depreciation	<u>(1,737,769)</u>
Net fixed assets	<u>\$ 5,193,001</u>

The following estimated useful lives are used to compute depreciation:

Land and improvements	10-30 years
Buildings and improvements	7-30 years
Furniture, machinery and equipment	3-8 years

NOTE 5 - INTANGIBLE ASSETS

The following is a summary of intangible assets recorded in the Enterprise Fund which consist of site plans and a promotional video and are being amortized over periods from 7 to 15 years on a straight-line basis:

Intangible assets	\$ 76,734
Less: accumulated amortization	<u>(27,077)</u>
Net intangible assets	<u>\$ 49,657</u>

NOTE 6 - LINE OF CREDIT PAYABLE

The Authority has a line of credit with a local financial institution to provide short-term cash flow up to \$150,000. There was no balance outstanding at June 30, 1996.

NOTE 7 - OBLIGATIONS UNDER LEASES

The Authority has acquired a tractor under the provisions of a long-term lease agreement classified as a capital lease. Accordingly, the principal amount of the assets, totaling \$33,070, is capitalized in the Enterprise Fund. The lease provides for a bargain purchase option.

A summary of the changes in capital lease obligations resulting from purchases of items capitalized in the Enterprise Fund follows.

<u>Assets Acquired</u>	<u>Balance July 1, 1995</u>	<u>Reduction</u>	<u>Balance June 30, 1996</u>
Machinery and equipment	<u>\$ 6,128</u>	<u>\$ (6,128)</u>	<u>\$ -0-</u>

NOTE 8 - NOTES PAYABLE

Notes payable at June 30, 1996 consisted of the outstanding notes presented below. Principal and interest requirements at June 30, 1996, were as follows..

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Outstanding Principal July 1, 1995</u>	<u>Issues/ (Retirements)</u>	<u>Outstanding Principal June 30, 1996</u>
Goodyear/ Airtreads	8.0	7/15/96	\$ 42,284	\$ (27,784)	\$ 14,500
ADOT	6.49	7/1/95-98	<u>254,905</u>	<u>(79,684)</u>	<u>175,221</u>
Total notes payable			<u>\$ 297,189</u>	<u>\$ (107,468)</u>	<u>\$ 189,721</u>

During the year ended June 30, 1996 the Authority reached a settlement to reduce the Goodyear/Airtreads note to \$14,500 due to a dispute over the amount of the note.

Notes payable debt service requirements to maturity, including \$17,233 of interest, are as follows:

Year ending June 30:

1997	\$ 110,727
1998	<u>96,227</u>
Total	<u>\$ 206,954</u>

NOTE 9 - CONTRIBUTED CAPITAL

Contributed capital increased by the following amounts:

Donated assets	\$ 12,510
Capital grants received	961,189
Contributed capital, July 1, 1995	<u>4,157,235</u>
	<u>\$ 5,130,934</u>

NOTE 10 - LEASE REVENUES

As discussed in Note 1, the Authority subleases, under operating leases, certain property and improvements.

The operating leases have varying terms ranging from a month-to-month basis to twenty-five years. Most leases extending over a one year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

Minimum future rental to be received on non-cancelable leases as of June 30, 1996, for each of the next five years and in the aggregate are:

Year ended June 30,	
1997	\$ 198,125
1998	162,622
1999	22,250
2000	15,475
2001	14,700
Thereafter	<u>145,683</u>
Total minimum future rentals	<u>\$ 558,855</u>

NOTE 11 - BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the Enterprise Fund was prepared on the modified accrual basis. Consequently, the following adjustments are necessary to reconcile budgetary to GAAP basis.

	<u>Enterprise Fund</u>	
	<u>Total Revenues</u>	<u>Total Expenses</u>
Combined Statement of Revenues, Expenses and Changes in Retained Earnings	\$ 277,575	\$ 716,578
Nonoperating revenues and expenses	477,731	21,452
Adjustments to present data on the budgetary basis - additions	961,189	1,244,173
subtractions	<u>-0-</u>	<u>(237,991)</u>
Combined Statement of Revenues and Expenses - Budget and Actual - (Budgetary Basis)	<u>\$ 1,716,495</u>	<u>\$ 1,744,212</u>

NOTE 12 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The Authority is insured by Arizona State Workers Compensation Insurance Fund for potential job-related accidents.

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN

All full-time employees of the Authority may participate in a defined contribution pension plan administered by The Principal Financial Group. The payroll for Authority employees covered by this plan for the year ended June 30, 1996 was \$140,517. The Authority's total payroll was \$223,975.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits a participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such a participants account. All full-time Authority employees must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the Authority vest gradually according to the following schedule:

<u>Years of Service</u>	<u>Percentage Vesting</u>
1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

An employee that leaves the employment of the Authority is entitled to his or her contributions and the vested portion of the Authority's contributions, plus interest earned. Each employee can contribute up to 6% of his or her gross earnings. The Authority must contribute 6% of covered earnings. During fiscal year 1995-96 the Authority's required and actual contributions amounted to \$8,431. The employees' contributions totaled \$4,698.

No pension provision changes occurred during the year that affected the required contributions to be made by the Authority or its employees.

The Principal Financial Group held no securities of the Authority or other related parties during the fiscal year 1995-96 or as the close of the fiscal year.

NOTE 14 - FAA COMMITMENT FOR FUTURE IMPROVEMENTS

The Authority is obligated by the Federal Aviation Administration to invest an amount equal to the proceeds of land sales at the Kingman Industrial Park in improvements to and operations of the Kingman Airport within five years from the date of the sale. The amount obligated to be spent for airport improvements and operations at June 30, 1996 is \$440,039. The Authority complied with all regulations regarding its sale of land at the Kingman Airport and Industrial Park during the 1995-96 fiscal year.

Changes in the commitment for future improvements during the year ended June 30, 1996 were as follows:

Balance, beginning of year	\$ 167,461
Add: land sales during year	386,300
Deduct: expenses at Kingman Airport	<u>(113,722)</u>
	<u>\$ 440,039</u>

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SUPPLEMENTARY SCHEDULE

	Airport	Industrial Park	Totals
<hr/>			
OPERATING REVENUES			
Leases	\$ 209,833	\$ 67,742	\$ 277,575
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Total operating revenues	209,833	67,742	277,575
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OPERATING EXPENSES			
Personnel	110,804	113,171	223,975
Payroll taxes and benefits	33,357	31,111	64,468
Office expense	7,152	7,510	14,662
Professional services	6,781	10,942	17,723
Maintenance and repairs	14,388	16,089	30,477
Motor pool	5,603	5,772	11,375
Operational expense	50,638	65,269	115,907
Depreciation	161,739	71,322	233,061
Amortization	4,116	814	4,930
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Total operating expenses	394,578	322,000	716,578
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Operating loss	(184,745)	(254,258)	(439,003)
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NONOPERATING REVENUES (EXPENSES)			
Contributions and donations	-	41,316	41,316
Interest revenue	4,828	4,094	8,922
Goodyear settlement	27,784	-	27,784
Application fees	-	6,500	6,500
Land sales	-	386,300	386,300
Miscellaneous revenues	1,336	5,573	6,909
Interest expense	(16,689)	(144)	(16,833)
Contingencies	-	(4,619)	(4,619)
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Total Nonoperating revenues (expenses)	17,259	439,020	456,279
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Net Income (loss)	\$ (167,486)	\$ 184,762	\$ 17,276
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SINGLE AUDIT ACT REPORTS SECTION

KINGMAN AIRPORT AUTHORITY, INC.

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE**

FOR THE

FISCAL YEAR ENDED JUNE 30, 1996

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE**

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the general-purpose financial statements of the Kingman Airport Authority, Inc., as of and for the year ended June 30, 1996, and have issued our report thereon dated October 11, 1996. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the Kingman Airport Authority, Inc., taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 11, 1996

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. Department of Transportation Airport Improvement Program	20.106*	N/A	\$ <u>819,990</u>	\$ <u>819,990</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>819,990</u>	\$ <u>819,990</u>

* Major program as defined by OMB Circular A-128.

KINGMAN AIRPORT AUTHORITY, INC.

**REPORT ON COMPLIANCE BASED ON AN AUDIT OF
GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

OCTOBER 1996

**REPORT ON COMPLIANCE BASED ON AN AUDIT OF
GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the general-purpose financial statements of the Kingman Airport Authority, Inc., as of and for the year ended June 30, 1996, and have issued our report thereon dated October 11, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Kingman Airport Authority, Inc., is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general-purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the Authority Board, management, and federal grantors. However, this report is a matter of public record and its distribution is not limited.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 11, 1996

KINGMAN AIRPORT AUTHORITY, INC.

**SINGLE AUDIT OPINION ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

OCTOBER 1996

**SINGLE AUDIT OPINION ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the general-purpose financial statements of the Kingman Airport Authority, Inc., as of and for the year ended June 30, 1996, and have issued our report thereon dated October 11, 1996.

We have also audited the Authority's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; amounts claimed or used for matching; and special requirements that are applicable to its major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended June 30, 1996. The management of the Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Kingman Airport Authority, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; amounts claimed or used for matching; and the special requirements that are applicable to its major federal financial assistance program for the year ended June 30, 1996.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 11, 1996

KINGMAN AIRPORT AUTHORITY, INC.

**SINGLE AUDIT REPORT ON COMPLIANCE WITH
THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

OCTOBER 1996

**SINGLE AUDIT REPORT ON COMPLIANCE WITH
THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the general-purpose financial statements of the Kingman Airport Authority, Inc., as of and for the year ended June 30, 1996, and have issued our report thereon dated October 11, 1996.

We have applied procedures to test the Authority's compliance with the following requirements applicable to its federal financial assistance program, which is identified in the Schedule of Federal Financial Assistance, for the year ended June 30, 1996:

Political Activity
Davis-Bacon Act
Civil Rights
Cash Management
Federal Financial Reports
Allowable Costs/Cost Principles
Drug-Free Workplace Act
Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those requirements.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 11, 1996

KINGMAN AIRPORT AUTHORITY, INC.

**REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

OCTOBER 1996

**REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the general-purpose financial statements of the Kingman Airport Authority, Inc., as of and for the year ended June 30, 1996, and have issued our report thereon dated October 11, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

The management of the Kingman Airport Authority, Inc., is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general-purpose financial statements of the Authority, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Authority Board, management, and federal grantors. However, this report is a matter of public record and its distribution is not limited.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 11, 1996

KINGMAN AIRPORT AUTHORITY, INC.

**SINGLE AUDIT REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

OCTOBER 1996

**SINGLE AUDIT REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the general-purpose financial statements of the Kingman Airport Authority, Inc., as of and for the year ended June 30, 1996, and have issued our report thereon dated October 11, 1996. We have also audited the compliance of the Kingman Airport Authority, Inc. with requirements applicable to its major federal financial assistance program and have issued our report thereon dated October 11, 1996.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement and about whether the Authority complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended June 30, 1996, we considered the internal control structure of the Authority in order to determine our auditing procedures for the purpose of expressing our opinions on the general-purpose financial statements of the Authority and on the compliance of the Authority with requirements applicable to its major program, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general-purpose financial statements in a separate report dated October 11, 1996.

by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Controls

- Cash
- Cash receipts
- Disbursements
- Payroll
- Bidding
- General ledger
- Property and equipment

Administrative Controls

General Controls:

- Political Activity
- Davis-Bacon Act
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

Specific Requirements:

- Types of services
- Eligibility
- Matching, level of effort
- Reporting
- Cost allocation
- Special requirements, if any

been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, the Kingman Airport Authority, Inc., expended 100 percent of its total federal financial assistance under its major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Authority's major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Authority Board, management, and federal grantors. However, this report is a matter of public record and its distribution is not limited.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 11, 1996

The Authority was not required to have a Single Audit for 1994-95.

